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AZ ARIZONA CORPORATION COMMISSION
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Arizona Corporation Commission

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DEC 30 2009

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE
APPLICATION OF BLACK MOUNTAIN
SEWER CORPORATION, AN ARIZONA
CORPORATION, FOR A
DETERMINATION OF THE FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN
ITS RATES AND CHARGES FOR
UTILITY SERVICE BASED THEREON.

NO. DOCKET NO. SW-02361A-08-0609

FINAL CLOSING RESPONSE

M. M. Schirtzinger, a Boulders resident and intervener, is filing this responsive closing brief after reading the voluminous information presented to the Arizona Corporation Commission (ACC) on the above referenced matter. The summary of my position follows.

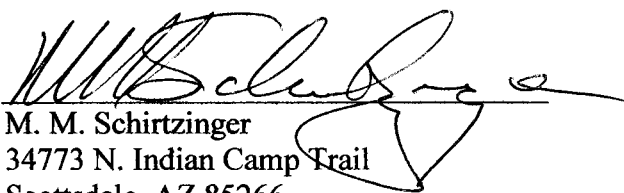
1. I oppose any rate increase by the BCSC because the company has failed to operate the collection system and water reclamation facility (WWTP) in the most cost effective manner.
2. The company proposed rate of return on capital of 12.80% is ridiculously high. Regulated utilities have no market risk since they operate as a monopoly. Rate payers cannot choose a different utility. Even the 8.22% return on equity proposed by RUCO is too high. Return on capital should not exceed 5% in the current interest rate environment.
3. It is obvious from the data collected by the Arizona Corporation Commission staff that BCSC is artificially and excessively being charged by Algonquin Water Service (AWS) for part-time employees and managerial services. Fees charged in 2007 were \$392,538, in 2008 \$502,741 (in a 28% increase) and the company is proposing to further increase fees by \$50,302. It appears there are inter-company billings designed to increase expenses of BCSC (and other regulated Arizona utilities) in order to artificially increase costs and justify a rate increase. The Commission should restrict these inter-company fees for services and demand a reconciliation of all such charges to the satisfaction of the ACC staff. Until this is provided, all rate increase requests should be tabled or denied.

4. The sewer rate structure of a flat rate is unfair to seasonal residents who contribute no wastewater flow during the summer months. Seasonal residents are subsidizing business and permanent residences. Sewer bills should be based on water usage. Such water use data can be obtained and should be available from the City of Scottsdale.
5. The WWTP operates as an extended aeration system with 24-hour detention time in four tanks. The maximum rated capacity is 120,000 gpd. Changing the process to a contact stabilization system using the four tanks will allow the plant to be rated for 240,000 gpd. This will permit a greater quantity of treated wastewater to be sold to the Boulders Resort, less power consumption, less discharge to Scottsdale and related lower cost for the company. It is also the most environmentally sound wastewater handling method. No rate increase should be granted until the BCSC investigates this and reports to the ACC.
6. On my plant visit on November 9, 2009, the plant was bypassing all wastewater to Scottsdale. This continued until November 16, 2009 - a total of seven days. The aeration system repair that was needed was a minor plumbing problem and could have been fixed in two hours at a cost of about \$200. Because BCSC can easily bypass to Scottsdale resulting in higher costs to rate payers, there is no incentive to BCSC to improve, upgrade, increase reliability or hold down costs. The Arizona Corporation Commission **SHOULD NOT REWARD** BCSC with a rate increase for poor maintenance and for failing to use the latest technology at the WWTP. An aeration system using aspirating type aerators would cut power consumption in half.
7. On the collection system, the lift pumps in use are low efficiency high horsepower trash type pumps rather than pressure grinder (PG) type pumps. Use of pressure grinder pumps would eliminate the need for dual force mains from the main left station, avoid surcharging the collection system, eliminating the need for the air jumpers recently installed and avoid double pumping at the WWTP where pressure grinder pumps are installed. Wastewater should flow into the plant through an in-line comminutor with an underwater discharge to eliminate odors rather than the present headworks that emit the strongest odors at the plant.
8. The cost of implementing items 5, 6 and 7 above would be offset by operating savings, less treatment cost for discharge to Scottsdale and increased sales of reclaimed wastewater to the Boulders.
9. As the company spends more money, they ask for a rate increase. As an example, over \$250,000 was spent to eliminate the CIE lift station when odor could have been eliminated for a cost of under \$2,500 (\$250 if new pumps were not required).
10. While much has been made of odor problems by residences, often odor in homes can be traced to dry traps from which water has evaporated allowing sewer odors to be detected in the home. No real information has ever been provided as to the source of odors.

11. It has been stated that Boulders residents do not object to paying higher sewer bills if the present plant is eliminated. **This is not correct, I object!** No survey or poll or vote at an HOA annual meeting has ever been taken on this issue to my knowledge.
12. It has been stated that closing the plant will result in two saleable lots. This is doubtful because the plant is located at the low point in the subdivision to allow gravity wastewater flow into the plant. These lots are not be desirable for residential homes and in all likelihood will never be sold unless deeply discounted. Closing the plant is not only environmentally unsound; it will result in a windfall for BCSC and higher costs to rate payers and may not eliminate the collection system odors.
13. The present model of shared services by Algonquin Water Services (AWS) and Liberty Water results in higher costs to rate payers because of the inter-company charges and billing. If an audit of these charges was done by the IRS, I suspect many would be disallowed and inter-company profit (or loss) would be disallowed. The Commissioners should instruct all Arizona utilities regulated by the ACC to fully document all inter-company charges. Until reconciliations are presented to the satisfaction of the ACC staff, all present and further rate increase requests should be denied.
14. I do not oppose decommissioning the existing WWTP but only if BCSC is decertified by the Commission and all wastewater is treated by the City of Scottsdale and BCSC customers pay Scottsdale rates for wastewater treatment.

Finally, I am aware that what I propose is highly technical in nature and not easily understood. I will attend an ACC staff and commission meeting to explain these technical issues if requested and testify under oath as appropriate.

Dated this 28th day of December, 2009.

By 
M. M. Schirtzinger
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